

ENCLOSURE NO. 2

Foreign Mineral Economics .....\$80,000

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Before the war the government's information and economic services on foreign mineral activities were grossly inadequate as a result of which there was a serious lack of first-hand data on enemy mineral potentials and the availability of foreign materials to meet the tremendously increased domestic demand for minerals in the defense and war programs. Procurement was delayed, and there was a rush to obtain the needed basic data with which such purchasing as well as preclusive buying and the "Good Neighbor" programs could be planned and executed. Staffs of technical experts were quickly recruited in the various war agencies responsible for these activities and sent abroad to centers of production of strategic and critical minerals. The effort was extremely costly and inefficient, an inescapable consequence of the lack of preparedness in this field.

The government's permanent facilities for obtaining and analyzing foreign mineral information must be expanded not only to prevent a recurrence of the experience of the past few years, but to meet the needs for the future. As applied to this budget item, and in particular to its relationship to national security, the modest increase in funds requested is amply justified in House Report No. 2734 of December 17, 1946, on the system currently employed in the collection, evaluation and dissemination of intelligence affecting the war potential of the United States, prepared by the Committee on Military Affairs, House of Representatives. The United States is now and has been the most self-sufficient nation of the world in minerals, yet it has always had important deficiencies. Manganese, chromite, tin, and nickel, for example, are indispensable to the industrial economy of this country and domestic requirements for decades have been met principally by imports. Dependence of the United

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\*DOJ Waiver Letter in ERU File\*

States on foreign sources for supplies of many important minerals, including copper, lead, and zinc, will increase in the future. Consequently in the years to come and particularly in the reconversion period, minerals will occupy an even more significant place in international affairs than in the past. This and other factors such as the need for markets for those minerals which we can produce for export, the mineral policy considerations relating to national defense, conservation of domestic resources, tariff programs and future international cooperation in solving problems of an economic character, all require complete and current knowledge of mineral developments on a world-wide basis. It is therefore imperative that the Bureau of Mines' staff of international mineral specialists be increased to analyze and interpret foreign mineral information for the benefit of industry, the public, and the agencies of the Federal Government responsible for the formulation of economic foreign policy and national security. It is also imperative that this Government maintain at certain embassies abroad technical observers competent to secure information that will be needed in Washington, and to advise diplomatic officers on local problems relating to minerals. It is especially important that this expansion be made at this time so that the knowledge gained during the war at tremendous costs may be retained for the permanent benefit of the Government and particularly to meet the needs of the next few years.

The need for an improved foreign reporting service for minerals has been recognized for many years but not until 1935 was any constructive action taken. In that year one of the experts of the Bureau of Mines was sent to Europe to report on the mineral situation in that area. In 1939, with war imminent, he was transferred to South America where he continued his investigations of foreign mineral activities. Shortly thereafter, Foreign Mineral Specialists were assigned to the Embassies at Rio de Janeiro, Buenos Aires, Santiago, Lima, La Paz, and Mexico City. In July 1942 this Foreign Mineral Service of the Bureau of Mines, with the approval of the Budget Bureau, was transferred to the Department of State where it was established as a Minerals Attache Service under the Foreign Service Auxiliary, created by Congress as a war measure. This was followed by an agreement between the Secretary of State and the Secretary of the Interior under which the Bureau of Mines "assumed responsibility for the recruitment of technically qualified personnel for the Foreign Service Auxiliary, the preparation and revision of instructions for the guidance of such personnel, the appraisal on the basis of periodic program reports and otherwise of the service of such personnel, the maintenance of adequate files and records pertaining to foreign mineral resources and such subjects which will serve as basic reference material for the commodity specialists of the Bureau of Mines and for other interested government agencies." The relationship of the Department of the Interior to the Minerals Attache Service thus became the same as that of the Department of Agriculture to the Agricultural Attache Service, and the Department of Commerce to the Commercial Attache Service. Subsequently, the foreign mineral staff of the temporary war agencies was greatly expanded and the Minerals Attache Service remained essentially in status quo. With the termination of war activities this temporary wartime arrangement with the Department of State has been superseded by Public Law 724, 79th Congress, effective November 13, 1946, which authorizes the Secretary of State to assign for special duty abroad for nonconsecutive periods not exceeding four years and at the expense of the Department of State, qualified experts in other agencies of the Government. The act requires the loaning agency to reinstate employees on such assignments following completion of their tour of duty abroad.

To meet postwar needs a substantial expansion of the Minerals Attache Service, which now includes representatives only in Peru, Brazil, and the Union of South Africa, is planned. The Department of State has requested the Bureau of Mines to assume responsibility for mineral reporting specialists that are required in eleven areas of the world (Peru, Bolivia, Brazil, Mexico, Belgian Congo, Union of South Africa, China, India, England, Western Europe (Paris), Central-Southern Europe (Berlin)), and may be appointed as Reserve Officers under Sections 522 and 528, Part C, of Public Law 724, effective last November.

To give industry, the public, and the Government the type of factual information and analysis required in the future, the Bureau of Mines proposes to enlarge its staff of regional and international commodity specialists to provide adequate facilities for meeting the greater responsibilities of the years ahead. We cannot plan our international program and national defense without adequate current data and men qualified to interpret them from a background of first-hand experience. This professional staff must be provided with adequate statistical and clerical services and travel funds so that it may be fully informed at all times. The increase requested for fiscal year 1948 is designed to initiate the broad program outlined above and to provide a part of the necessary technical staff needed to discharge properly the new duties and responsibilities placed upon the Bureau of Mines by Public Law 520, 79th Congress, approved July 23, 1946. This act authorizes the Secretary of Interior and the Secretaries of War and the Navy to determine the quantity and quality of the materials to be stockpiled. To carry out this function the Bureau of Mines must be prepared to provide comprehensive data on foreign minerals for the use of this committee, the Army and Navy Munitions Board, and the procurement agencies. Current information on the availability of foreign minerals of acceptable grade for stockpiling must be collected and prepared for consideration in administering the stockpile program. All of the usual problems of foreign procurement are involved and the program differs from the wartime work only in the matter of timing. The estimated cost of initiating the improved service on an annual basis is shown below. Substantial increases in this appropriation will be needed in future years to complete fully the above program.

PERSONAL SERVICES, DEPARTMENTAL

2 Foreign Mineral specialists (Regional), P-6 at \$7,102 .....	14,204
1 Foreign mineral specialist (Regional), P-5 at \$5,905 .....	5,905
3 International commodity specialists, P-6 at \$7,102 .....	21,306
1 International commodity specialist, P-5 at \$5,905 .....	5,905
1 Economic analyst, CAF-7 at \$3,397 .....	3,397
1 Statistical clerk, CAF-5 at \$2,645 .....	2,645
5 Clerks, CAF-4 at \$2,394 .....	11,970
5 Clerks, CAF-3 at \$2,168 .....	10,840
8 Clerks, CAF-2 at \$1,954 .....	15,632
Total permanent, departmental .....	\$91,804
Loss lapsed salaries .....	18,359
01 Personal Services (net) .....	\$73,445

119

OTHER OBLIGATIONS

02	Travel .....	\$ 4,000
04	Communications .....	500
08	Supplies and materials .....	1,055
09	Equipment .....	<u>1,000</u>
	Total other obligations .....	<u>\$ 6,555</u>
	Total increase .....	<u><u>\$80,000</u></u>